

**SJR**

**102**

SFIN

FILE

SJR 102

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SJR 102  
(S) Publish Date: 6/22/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Constitutional Amendment RDU: AK Permanent Fund Corporation  
Permanent Fund Income Component: AK Permanent Fund Corporation  
Sponsor: Rules  
Requester: Governor Murkowski Component No.: 109

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
This resolution would ask voters in the next general election whether to approve a constitutional amendment that would limit annual appropriations to no more than 5% of the average year-end market value of the Fund for the preceding five years, would specify how earnings of the Fund will be distributed and guarantees a dividend of at least \$1000 per qualified applicant  
  
This resolution would not affect the budgeted costs to manage and invest the Permanent Fund, nor would it change the amount of income earned by Permanent Fund investments  
  
See the attached schedule for financial projections of the Fund comparing the "Status Quo" to a 5% POMV spending limit

Prepared by: Robert D. Storer, Executive Director Phone: 465-2047  
Division: Alaska Permanent Fund Corporation Date/Time: 6/19/2004 11:32 PM  
Approved by: Steve Porter, Deputy Commissioner Date: 6/19/2004  
Agency: Department of Revenue



*Alaska Permanent Fund Corporation*

Financial projection comparison of the Alaska Permanent Fund under FN #1 SJR 102 current statutes versus POMV 5% lump sum payout, median case. All dollars in millions except per person dividend.

Current Statutes	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	34,139	
Unrealized appreciation/depreciation on assets	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	4,684	
Realized earnings account ( REA, after payouts)	1,297	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	6,263	
Total market value end of year (after payouts)	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	45,087	45,087
Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
Transfer status quo inflation-proofing (REA to Principal)	620	643	666	689	713	737	762	787	812	839	865	8,132

POMV - 5% (beginning in FY05)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account ( REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	26,695	27,707	28,703	29,712	30,730	31,768	32,824	33,900	34,991	36,099	37,224	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

**Assumptions:**

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.



*Alaska Permanent Fund Corporation*

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend FN #1 SJR 102

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u> Totals
<b>POMV - 5% (beginning in FY05)</b>												
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,257	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
Realized earnings account ( REA, after payouts)	1,173	1,687	2,243	2,809	3,382	3,965	4,561	5,179	5,811	6,465	7,139	
Total market value end of year (after payouts)	<u>26,695</u>	<u>27,707</u>	<u>28,703</u>	<u>29,712</u>	<u>30,730</u>	<u>31,768</u>	<u>32,824</u>	<u>33,900</u>	<u>34,991</u>	<u>36,099</u>	<u>37,224</u>	37,224
5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,066	32,140	33,234	34,344	35,472	
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(48)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	625	626	640	667	697	726	751	777	804	831	858	8,001
payout 45% after APFC costs for government services	562	563	576	600	627	653	676	699	723	748	772	7,201
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Per person dividend	\$990	\$990	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,410
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
AFPC management costs	(43)	(44)	(45)	(47)	(49)	(50)	(51)	(53)	(54)	(56)	(57)	(547)
payout 50% after APFC costs - lump sum dividend	628	631	640	667	697	726	751	777	804	831	858	8,009
payout 45% after APFC costs for government services	559	558	576	600	627	653	676	699	723	748	772	7,193
payout 5% after APFC costs for municipal dividend	62	63	64	67	70	73	75	78	80	83	86	800
Guarantee \$1,000 minimum dividend	\$1,000	\$1,000	\$1,000	\$1,040	\$1,090	\$1,130	\$1,160	\$1,200	\$1,230	\$1,270	\$1,310	\$12,430

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SJR 102  
(S) Publish Date: 6/22/04

Revision Date/Time (Note if correction):

Title Constitutional amendmont relating to and  
limiting appropriations from the APF based on an averaged  
percent of the fund market value and relating to permanent  
fund dividend payments.

Dept. Affected:  
RDU Elections  
Component Elections

Sponsor Rules  
Requester Governor Component No. 21

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing of an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Lauri Alfred  
Division: Division of Elections  
Approved by: Laura A. Glaser, Director  
Agency: Office of the Lt. Governor, Division of Elections

Phone: 465-5347  
Date/Time: 6/18/04 8:38 AM  
Date: 6/18/2004



Alaska Permanent Fund Corporation  
801 West 10<sup>th</sup> Street, Suite 302 Juneau, AK 99801  
Tel: (907) 465-2047 Fax: (907) 586-2057

## Sectional Analysis of WD 0176

### Overview

The Resolution proposes changes to the Alaska Constitution Article IX, Section 15, which governs the Alaska Permanent Fund.

### Summary of Changes

- 1) Page 1, line 9. Adds a reference to the new sections regarding distributions of funds being added to the constitution.
- 2) Page 1, line 10. Removes the words "the principal of which" from the constitution. This change removes the distinction between the principal and the earnings reserve. The Fund becomes one pool of money versus two.
- 3) Page 1, lines 12 & 13. Deletes the guidance for where income of the Fund should be deposited. The intent is for all income to remain in the Fund until appropriated by the Legislature.
- 4) Page 2, lines 1 - 3. Adds a new subparagraph (b) that establishes an annual payout limit of 5% of the total market value of the Fund. The market value will be based on a five-year average. This is to protect the Fund from inflation and preserve the real value over the long term. Additionally, this provision allows the legislature and the administration to know one year in advance the amount available for appropriation.
- 5) Page 2, lines 4 - 5. Allows appropriations for the operating costs of the corporation to be made from the amount available for appropriation from the Permanent Fund in lines 1 - 3 of page 2.
- 6) Page 2 lines 8 - 11. Requires that after the corporation's operating costs are paid, that 50% of the amount remaining will be allocated to individual dividends, 45% will be allocated to public education and 5% will be allocated to municipalities and other communities.

- 7) Page 2, lines 12 – 16. Requires individual dividends to be at least \$1000. If the amount available for dividends is not sufficient, then a sufficient amount will be transferred from the allocation to public education to cover the shortfall.
- 8) Page 2, lines 19 - 22. Adds a transitional provision that makes clear the balance in the Fund's earnings reserve remains in the Permanent Fund. Some have argued that the earnings reserve belongs in the General Fund.
- 9) Page 2, lines 23 - 25. States that the changes first apply to appropriations for fiscal year 2006.
- 10) Page 2, lines 26 & 27. Repeals the provisions contained in this amendment regarding the distribution of the amount available for appropriation and the requirement that dividends be at least \$1000.
- 11) Page 2, lines 28 - 30. States that the amendments will be placed before the voters at the next general election.



*Alaska Permanent Fund Corporation*

POMV payout, split 50% to the Dividend, 45% to public services and 5% to the municipal dividend

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY05-FY15</u>
<b>POMV - 5% (beginning in FY05)</b>												
Contributions & appropriations (principal)	23,840	24,128	24,358	24,580	24,800	25,021	25,237	25,447	25,648	25,841	26,026	
Unrealized appreciation/depreciation on assets	1,683	1,892	2,103	2,322	2,548	2,781	3,026	3,274	3,532	3,793	4,059	
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5 year average market value lagged one year	25,851	25,902	26,508	27,614	28,846	30,012	31,068	32,140	33,234	34,344	35,472	
Total available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549
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<b><i>Governor's proposal</i></b>												
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Alaska Permanent Fund Corp. on  
 Financial projection comparison of the Alaska Permanent Fund under  
 current statutes versus POMV 5% lump sum payout, median case. All  
 dollars in millions except per person dividend.

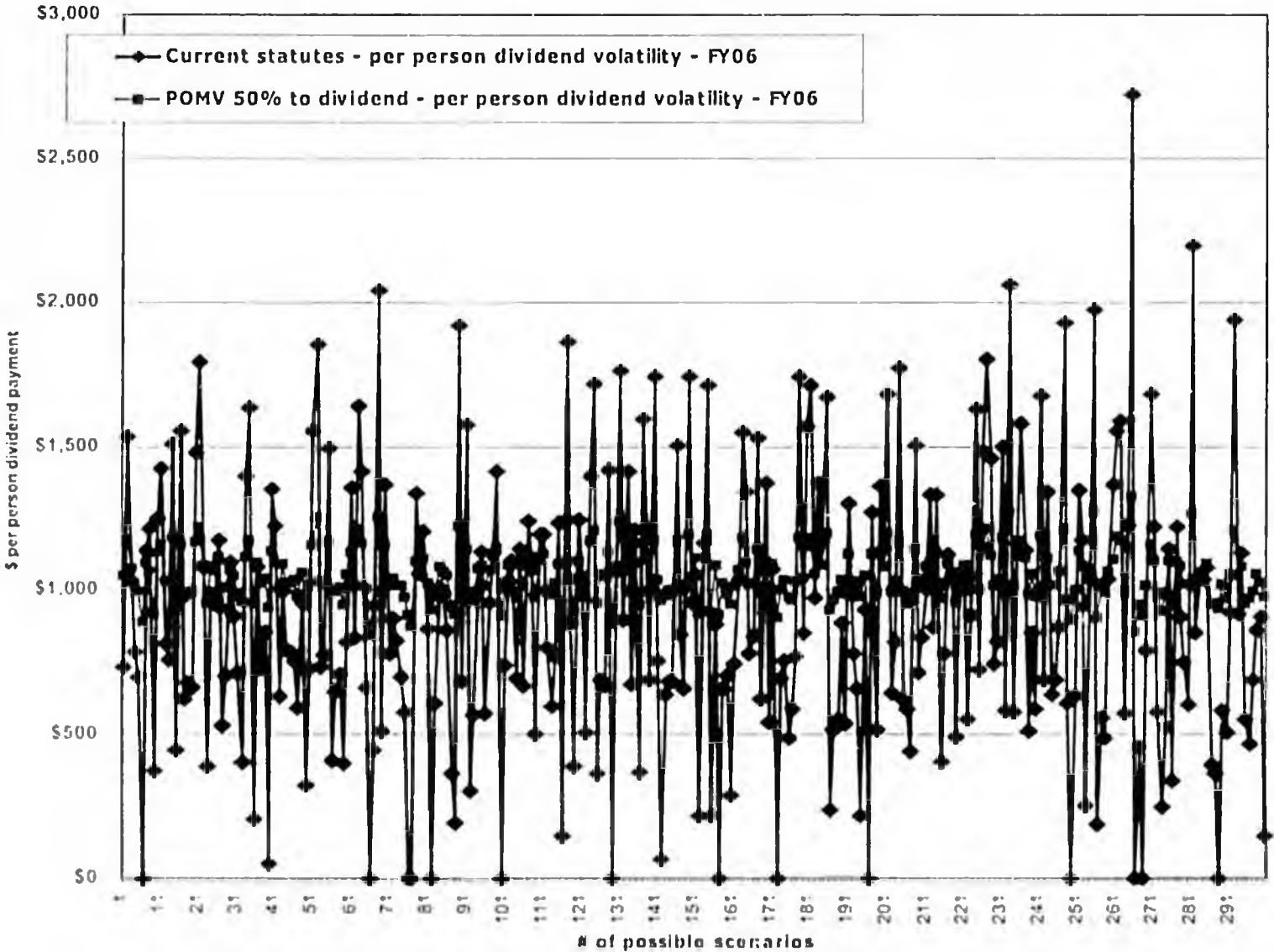
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Total lump sum dividend appropriation	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	1,350	10,972
Per person dividend under current statute	\$ 790	\$ 890	\$ 1,160	\$ 1,420	\$ 1,530	\$ 1,600	\$ 1,670	\$ 1,740	\$ 1,810	\$ 1,880	\$ 1,950	\$ 16,440
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Total 5 % lump sum average market value available for appropriation	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	1,774	16,549

Assumptions:

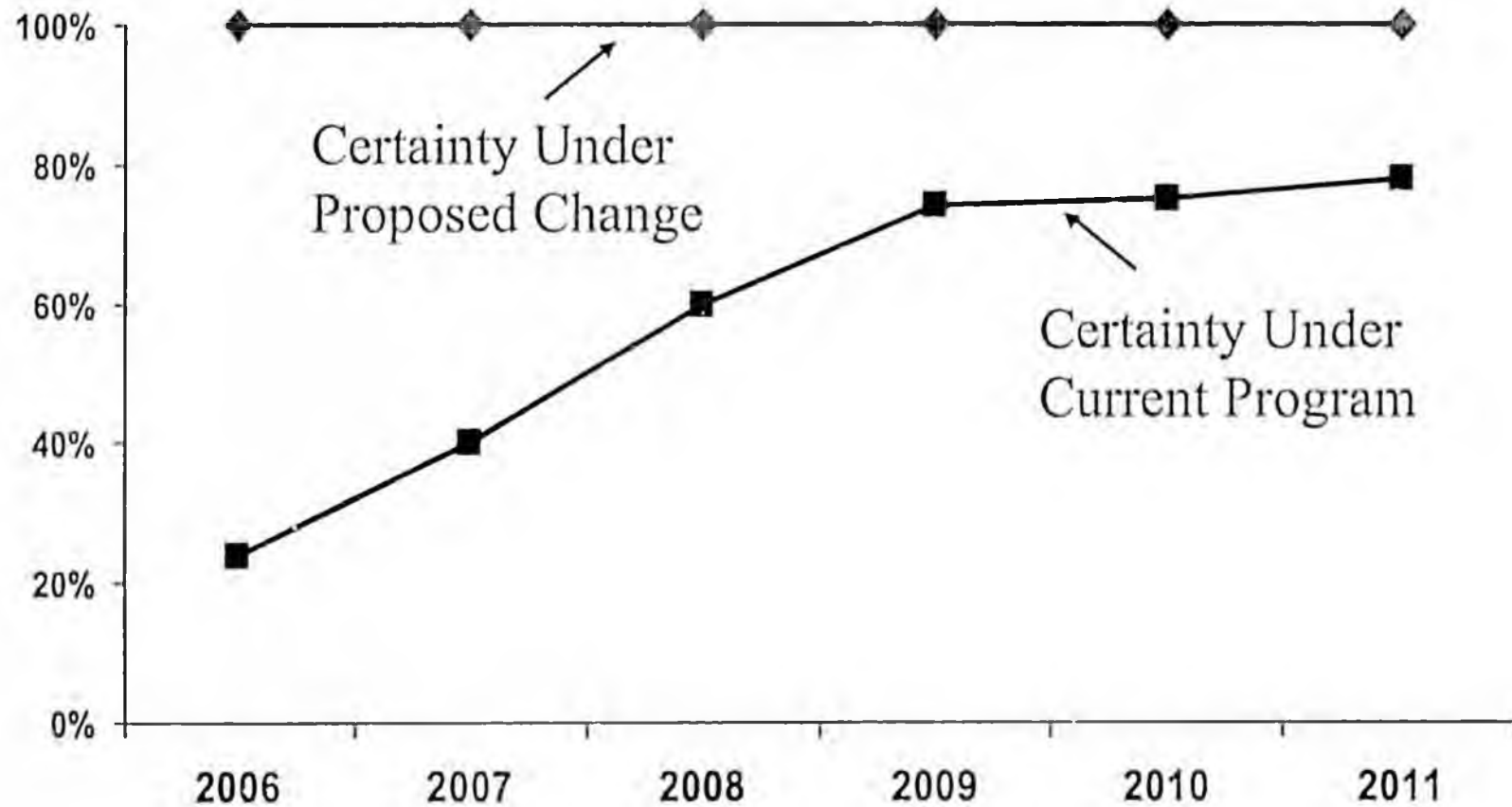
Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions.

POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

# Potential Volatility in Individual Dividend Amount



# Do You Want to Take a Chance -- or be Guaranteed at Least \$1,000?



## ALASKA PERMANENT FUND FINANCIAL PROJECTIONS 2004 - 2014 as of April 30, 2004

Long term projections will extend ten years, based on best available information (in millions)

Reserved Fund Balance							Unreserved Fund Balance							TOTAL FUND (1)			
FY	FY Begin Contrib Balance	Appro. (1)	Dedicated State Revenues	Inflation Proofing	FY End Balance	FY End Balance	Acct Net Income (1)	Statutory Net Income	Distributions of Statutory Net Income			Realized Earnings Acct			FY End Balance		
						Unrealized Gain (Loss)			Dividends	Inflation Proofing	General Fund	Net Change	FY End Balance				
77-98	0	6,734	6,250	5,533	18,517	3,971	3,971	22,489	20,683	18,667	7,588	5,533	268	1,389	1,389	77-98	23,877
99	18,517	41	155	288	19,001	(430)	3,541	22,542	2,148	2,514	1,045	288	3	1,261	2,590	99	25,132
00	19,001	764	376	423	20,014	(12)	3,528	23,543	2,249	2,322	1,172	423	3	302	2,972	00	26,515
01	20,014	8	319	688	21,047	(2,148)	1,383	22,430	(924)	1,199	1,113	688	4	(588)	2,384	01	24,814
02	21,047	(73)	258	602	21,884	(878)	505	22,389	(617)	257	926	602	5	(1,248)	1,136	02	23,525
03	21,884	354 (1)	398	352	22,988	601	1,106	24,094	963	355	631	352	0	(1,035)	100	03	24,194
10%	22,988	5	343	170	23,506	(2,157)	(1,051)	22,455	(1,590)	562	331	170	0	61	161	04	22,616 10%
25%	22,988	9	343	170	23,510	(807)	299	23,809	195	933	528	170	0	285	395	04	24,204 25%
Med	22,988	13	343	170 (2)	23,514	361	1,467	24,981	1,752	1,378	568	170 (2)	0	640	740	04	25,721 Med
35%	22,988	17	343	170	23,518	1,411	2,517	26,035	3,357	1,929	626	170	0	1,133	1,233	04	27,268 35%
10%	22,988	21	313	170	23,522	2,611	3,777	27,299	5,030	2,337	669	170	0	1,439	1,539	04	28,838 10%
05	23,514	14	301	619	24,441	218	1,885	26,333	1,921	1,889	512	619	0	558	1,198	05	27,431
06	24,441	17	270	643	25,377	232	1,917	27,294	2,049	1,800	975	643	0	582	1,880	06	29,174
07	25,377	19	209	685	26,276	247	2,164	28,424	2,178	1,912	748	685	0	498	2,378	07	30,812
08	26,276	24	201	688	27,183	261	2,425	29,609	2,301	2,016	924	688	0	464	2,782	08	32,390
09	27,183	23	196	712	28,113	274	2,698	30,812	2,419	2,122	1,002	712	0	459	3,191	09	34,003
10	28,113	25	197	736	29,071	287	2,986	32,057	2,540	2,228	1,058	736	0	454	3,624	10	35,681
11	29,071	31	189	761	30,032	302	3,298	33,331	2,644	2,333	1,114	761	0	458	4,083	11	37,422
12	30,032	28	182	786	31,041	316	3,624	34,651	2,796	2,452	1,171	786	0	435	4,578	12	39,229
13	31,041	34	170	812	32,064	331	3,935	35,999	2,932	2,566	1,229	812	0	525	5,103	13	41,102
14	32,064	33	160	818	33,035	347	4,292	37,327	3,072	2,612	1,288	838	0	566	5,669	14	43,068

Assumptions:	Total Return - Inflation	Total Real Return	Realized Return
10% FY 2004	8.34%	2.29%	8.62%
25% FY 2004	0.99%	2.29%	1.27%
Med FY 2004	7.38%	2.29%	5.10%
35% FY 2004	13.97%	2.29%	11.63%
10% FY 2008	20.81%	2.29%	18.51%
<b>FY 2005-2014 (1)</b>	<b>7.81%</b>	<b>2.60%</b>	<b>5.01%</b>

- (1) General Fund and earnings receive appropriations to principal, settlement earnings transferred to principal per AS 37.13.145; (2) royalty settlement earnings and other miscellaneous appropriations
- (2) Final reconciliation on State of Alaska case
- (3) \$354 of FY04's projected inflation proofing of \$524 was prefunded in FY03. Senate Bill 291 appropriates the remaining \$170 million on June 30, 2004
- (4) Accounting net income is statutory net income plus the net change in unrealized gains (losses) and settlement earnings. Statutory net income is realized earnings less settlement earnings and is used to calculate the dividend transfer
- (5) Total fund equity less reserved fund balance plus the realized earnings account
- (6) Based on 2003 Co. as capital market assumptions and a range of expected returns based on the probability of the return outcome
- (7) Based on 2004 Co. as capital market assumptions and median expected return. Actual results will vary from projections

### Additional information on the financial projections 2004 - 2014

- A. The projections for the current fiscal year show a range of expected returns and fund values based on market volatility and current statutory language for the dividend calculation and the appropriation for FY04 inflation proofing
- B. The FY04 center line represents the median case of possible outcomes. As the values move away from the center they become less likely to occur
- C. All subsequent fiscal year end values (FY05 - FY14) are calculated using the median expected rate of return and the current dividend and inflation proofing formulas as outlined in AS 37.13.140 and 145.

\*Note: slight differences are due to rounding

**Note:** The APFC is changing the format of our projection sheet beginning next month, May 2004. The new look is shown above and the original format is attached for your reference. The main difference is the presentation of the current fiscal year activity, which will use beginning values and annual assumptions to provide a range of expected fiscal year end results. The Fund's values are subject to market volatility and projected future returns, which are unknown. Historically, there have been times when the Fund experienced large short term market swings, as evidenced by the September 2002 quarterly Fund return of -7.45% and the June 2003 quarterly return in excess of 10%; both occurring in the same fiscal year. The fundamental point is that short term market swings can dramatically affect fiscal year end results, and a range of expected outcomes more accurately represents our projections for the current fiscal year.

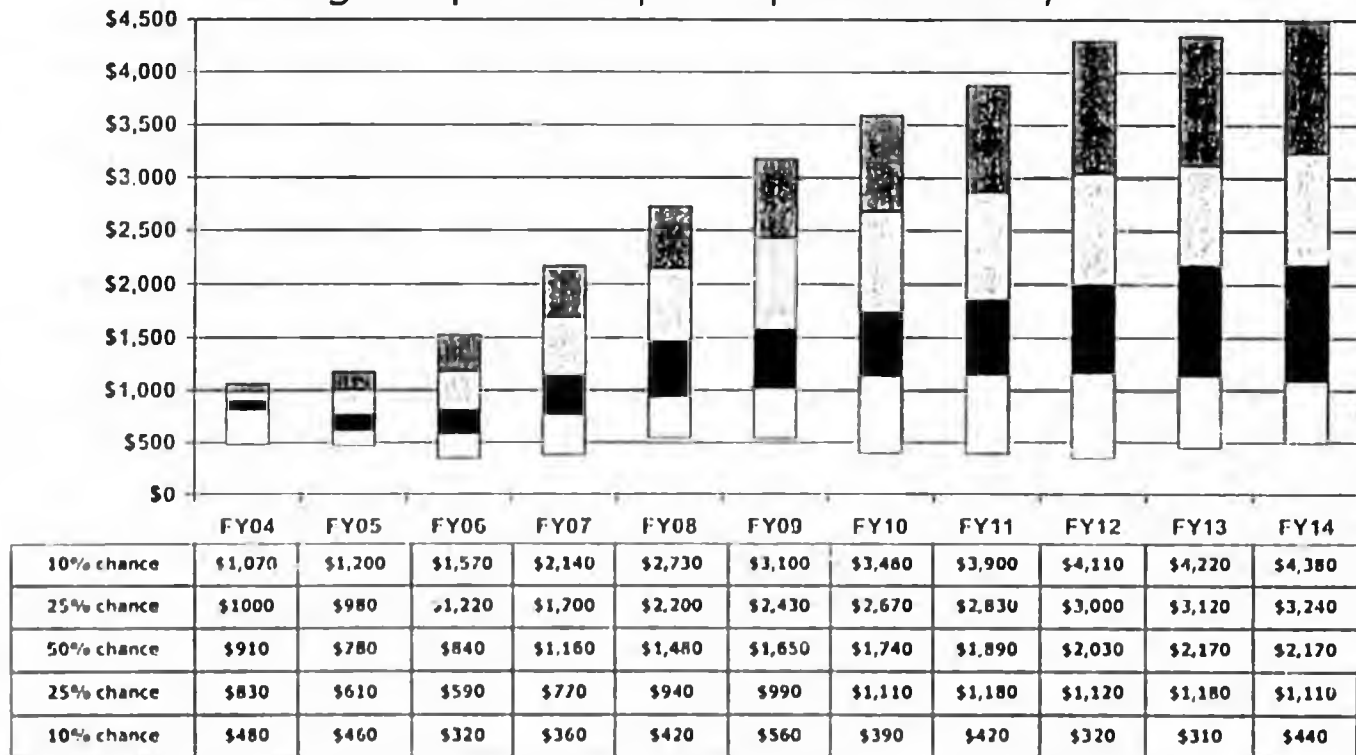


*Alaska Permanent Fund Corporation*

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout (beginning in FY05). All dollars in millions except per person dividend.

Current Statutes	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY04-FY14 Totals
Contributions & appropriations (principal)	23,514	24,452	25,383	26,278	27,189	28,120	29,077	30,053	31,049	32,061	33,090	
Unrealized appreciation/depreciation on assets	1,467	1,683	1,913	2,160	2,425	2,702	2,993	3,304	3,624	3,965	4,317	
Realized earnings account ( REA, after payouts)	740	1,257	1,879	2,375	2,778	3,185	3,617	4,074	4,568	5,092	5,658	
Total market value end of year (after payouts)	25,721	27,433	29,176	30,814	32,393	34,007	35,688	37,431	39,241	41,118	43,065	43,065
Total lump sum dividend appropriation	568	512	576	750	924	1,002	1,058	1,114	1,170	1,228	1,288	10,190

Range of possible per capita dividend, FY04 – FY14



Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions, graph shows the per person dividend and a range of outcomes.

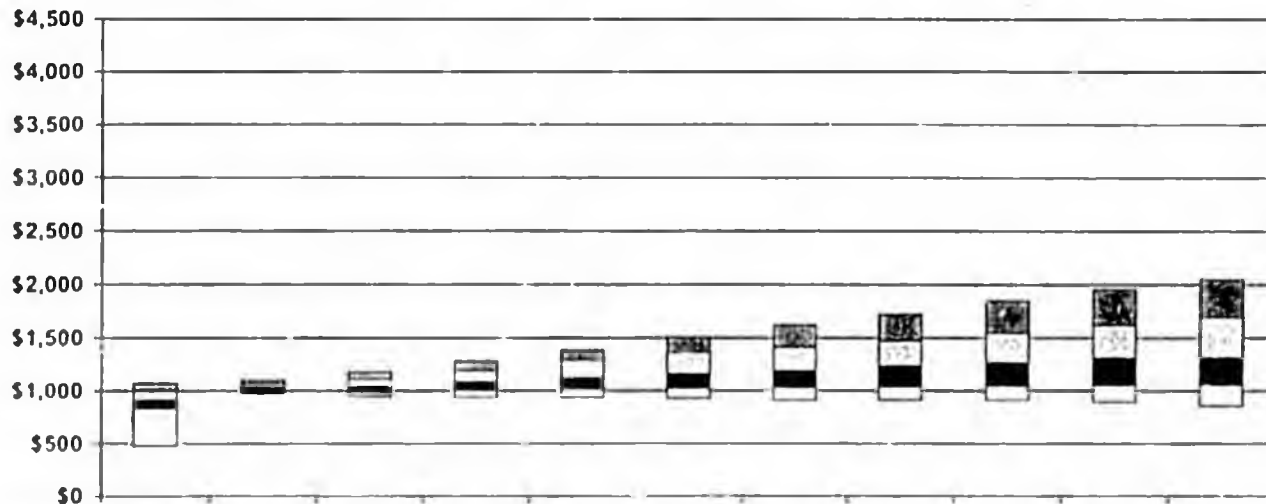


Alaska Permanent Fund Corporation

Financial projection comparison of the Alaska Permanent Fund under current statutes versus POMV 5% lump sum payout (beginning in FY05). All dollars in millions except per person dividend.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY04-FY14
<b>POMV - 5% (beginning in FY05)</b>												
Contributions & appropriations (principal)	23,514	23,832	24,121	24,350	24,772	24,791	25,012	25,227	25,437	25,637	25,830	
Unrealized appreciation/depreciation on assets	1,467	1,683	1,892	2,103	2,222	2,548	2,781	3,026	3,273	3,532	3,793	
Realized earnings account ( REA, after payouts)	740	1,179	1,694	2,250	2,816	3,390	3,973	4,570	5,188	5,820	6,475	
<b>Total market value end of year (after payouts)</b>	<b>25,721</b>	<b>26,694</b>	<b>27,706</b>	<b>28,702</b>	<b>29,711</b>	<b>30,729</b>	<b>31,767</b>	<b>32,823</b>	<b>33,899</b>	<b>34,990</b>	<b>36,098</b>	<b>36,098</b>
5 year average market value lagged one year	25,828	25,851	25,902	26,508	27,613	28,845	30,011	31,065	32,139	33,233	34,343	
Total 5 % lump sum average market value available for appropriation	568	1,293	1,295	1,325	1,381	1,442	1,501	1,553	1,607	1,662	1,717	15,344

Range of per capita dividend, FY04 – FY14



	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
10% chance	\$1,070	\$1,100	\$1,180	\$1,280	\$1,380	\$1,510	\$1,620	\$1,730	\$1,850	\$1,960	\$2,050
25% chance	\$1000	\$1,070	\$1,110	\$1,190	\$1,290	\$1,350	\$1,410	\$1,470	\$1,550	\$1,620	\$1,690
50% chance	\$910	\$1,030	\$1,040	\$1,080	\$1,120	\$1,160	\$1,190	\$1,230	\$1,270	\$1,310	\$1,310
25% chance	\$830	\$1,000	\$990	\$1,000	\$1,010	\$1,020	\$1,030	\$1,040	\$1,040	\$1,050	\$1,060
10% chance	\$480	\$970	\$950	\$940	\$940	\$930	\$910	\$910	\$910	\$890	\$850

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Spring 2004 revenue forecast, financial statements through 06/30/03. All payouts are assumed to happen at fiscal year end, all dollar values in millions, graph shows the per person dividend and a range of outcomes. POMV payout assumes calculation methodology is 5% of the ending market value (pre payout) for the first five of the last six fiscal years.

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Adak	City	\$62,781	S
Akhiok	City	\$54,346	R
Akiachak	Unincorporated	\$25,000	S
Aliak	City	\$78,715	S
Akutan	City	\$117,057	S
Alakanuk	City	\$106,747	T
Alatna	Unincorporated	\$25,000	C
Aleknagik	City	\$70,023	S
Aleutians East Borough	Borough	\$255,538	S
Allakaket	City	\$58,691	C
Ambler	City	\$74,795	T
Anaktuvuk Pass	City	\$77,181	T
Anderson	City	\$100,442	D
Angoon	City	\$93,029	C
Aniak	City	\$96,949	C
Anvik	City	\$59,202	C
Arctic Village	Unincorporated	\$25,000	C
Atka	City	\$58,065	S
Atmautluak	Unincorporated	\$25,000	S
Atkasuk	City	\$71,045	T
Barrow	City	\$426,356	T
Beaver	Unincorporated	\$25,000	C
Bethel	City	\$552,632	S
Bettles	City	\$52,812	C
Big Salt	Unincorporated	\$25,000	C
Birch Creek	Unincorporated	\$25,000	C
Brevig Mission	City	\$76,755	T
Bristol Bay Borough	Borough	\$344,153	S
Buckland	City	\$84,935	T
Central	Unincorporated	\$25,000	C
Chalkyitsik	Unincorporated	\$25,000	C
Chefornak	City	\$86,980	S
Chenega	Unincorporated	\$25,000	C
Chevak	City	\$125,322	T
Chignik	City	\$57,583	S
Chistochina	Unincorporated	\$25,000	C
Chitina	Unincorporated	\$25,000	C
Chuathbaluk	City	\$58,691	C
Circle	Unincorporated	\$25,000	C
Clark's Point	City	\$55,624	S
Coffman Cove	City	\$63,889	A
Cold Bay	City	\$58,095	S
Copner Center	Unincorporated	\$25,000	C
Cordova	City	\$252,109	C
Craig	City	\$150,032	C
Crooked Creek	Unincorporated	\$25,000	C
Deering	City	\$61,162	T
Delta Junction	City	\$133,843	F
Delana	Unincorporated	\$25,000	C
Denali Borough	Borough	\$362,643	D
Dillingham	City	\$252,194	S

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Ketchikan	City	\$731,620	A
Ketchikan Gateway Borough	Borough	\$686,341	A
Kiana	City	\$84,764	T
King Cove	City	\$112,797	S
Kipnuk	Unincorporated	\$25,000	S
Kivalina	City	\$83,060	T
Klawock	City	\$122,511	C
Klukwan	Unincorporated	\$25,000	C
Kobuk	City	\$60,651	T
Kodiak	City	\$572,996	R
Kodiak Island Borough	Borough	\$837,412	R
Koliganek	Unincorporated	\$25,000	S
Kongiganak	Unincorporated	\$25,000	S
Kotlik	City	\$101,891	T
Kotzebue	City	\$312,094	T
Koyuk	City	\$78,970	T
Koyukuk	City	\$59,458	C
Kupreanof	City	\$52,556	A
Kwethluk	City	\$112,201	S
Kwigillingok	Unincorporated	\$25,000	S
Lake & Peninsula Borough	Borough	\$327,879	R & S
Lake Minchumina	Unincorporated	\$25,000	C
Larsen Bay	City	\$58,180	R
Lime Village	Unincorporated	\$25,000	C
Lower Kalskag	City	\$72,750	S
Manley Hot Springs	Unincorporated	\$25,000	C
Manokotak	City	\$84,509	S
Marshall	City	\$81,356	C
Matanuska-Susitna Borough	Borough	\$4,846,452	F & G & H
McCarthy	Unincorporated	\$25,000	C
McGrath	City	\$85,361	C
Mealyuk	City	\$67,467	S
Mentasta Lake	Unincorporated	\$25,000	C
Mettlakatla	City	\$169,118	C
Minto	Unincorporated	\$25,000	C
Mountain Village	City	\$113,905	T
Municipality of Anchorage	Borough	\$23,596,771	H - P
Napaklak	City	\$82,378	S
Napaskiak	City	\$85,701	S
Naukati Bay	Unincorporated	\$25,000	C
Nelchina	Unincorporated	\$25,000	F
Nenana	City	\$94,222	C
New Stuyahok	City	\$92,007	S
Newhalen	City	\$64,229	R
Newtok	Unincorporated	\$25,000	S
Nightmute	City	\$69,427	S
Nikolai	City	\$60,821	C
Nikolski	Unincorporated	\$25,000	S
Nome	City	\$343,791	T
Nondalton	City	\$68,493	R
Noorvik	City	\$105,299	T

Proposed Local Government Assistance (Under POMV, HJR 26, HB 298)

Local Government	Type	Local Gov't Assistance	Senate District(s)
Stebbins	City	\$98,568	T
Stevens Village	Unincorporated	\$25,000	C
Stony River	Unincorporated	\$25,000	C
Takotna	Unincorporated	\$25,000	C
Tanacross	Unincorporated	\$25,000	C
Tanana	City	\$74,710	C
Tatitlek	Unincorporated	\$25,000	C
Tazlina	Unincorporated	\$25,000	C
Teller	City	\$70,620	T
Tenakee Springs	City	\$59,032	C
Tetlin	Unincorporated	\$25,000	C
Thorne Bay	City	\$50,899	A
Togiak	City	\$120,210	S
Tok	Unincorporated	\$25,000	C
Toksook Bay	City	\$98,738	S
Tolsona	Unincorporated	\$25,000	F
Tuluksak	Unincorporated	\$25,000	S
Tuntutuliak	Unincorporated	\$25,000	S
Tununak	Unincorporated	\$25,000	S
Twin Hills	Unincorporated	\$25,000	S
Unalakleet	City	\$113,138	T
Unalaska	City	\$423,885	S
Upper Kalskag	City	\$69,683	S
Valdez	City	\$395,937	F
Valentine	Unincorporated	\$25,000	C
Wainwright	City	\$97,119	T
Wales	City	\$63,463	T
Wasilla	City	\$622,160	G
Whale Pass	Unincorporated	\$25,000	C
White Mountain	City	\$68,234	F
Whittier	City	\$65,167	P
Wiseman	Unincorporated	\$25,000	C
Wrangell	City	\$230,041	A
City & Borough of Yakutat	Borough	\$308,878	C
<b>TOTAL</b>		<b>\$66,691,122</b>	

HJR 26 would have modernized the Permanent Fund's investment model to an endowment with a 5% limit on annual spending. HB 298 prescribed how the 5% should be spent: 50% to pay Permanent Fund dividends; 45% to fund K-12 education and the University of Alaska; and 5% for local government financial aid. For FY 05 this would have meant \$637 million for dividends; \$573 million for K-12 and the University of Alaska; and \$67 million for local government assistance.

Calculations under scenario preferred by DCED: \$250,000 minimum each borough, \$50,000 minimum each city; \$25,000 maximum each eligible unincorporated community in the Unorganized Borough. Balance allocated on a per capita basis to boroughs and cities (approximately \$85 per person).



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June 4, 2004

The Honorable Frank Murkowski  
Governor of Alaska  
P.O. Box 110001  
Juneau, AK 99811

Dear Governor Murkowski:

Municipal leaders thank you for your strong leadership in advocating for a viable fiscal plan for Alaska.

Municipal leaders strongly support the POMV Endowment approach and will coordinate efforts to have municipal leaders contact legislators. We will also work to encourage citizens and organizations to contact legislators.

We urge you to consider the following items for the Special Session:

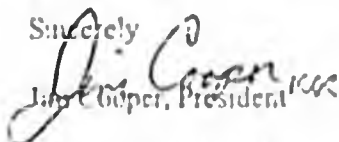
FY 05 critical one-time "lifelines" to ensure that communities remain viable until a fiscal plan is implemented:

- **Revenue Sharing "lifeline" for small communities.** (\$8 million, up to \$50K per community) Small communities are being devastated this year by the loss of revenue sharing, high oil prices, and other climbing costs. (See attached partial list of impacts.)
- **PERS "lifeline" for all municipalities.** (\$19 million) There is a growing public reaction to state cuts that fuel local tax increases or severe local public service cuts. Many municipalities have already had to raise property tax rates and/or cut public services due to state mandated PERS increases, the loss of revenue sharing, and broad local cost increases related to the high price of fuel. Communities with local tax caps cannot raise taxes and have primarily cut public services. A PERS "lifeline" will help alleviate local budget crises this year. (See attached PERS impacts by community)

Long-term Fiscal Plan

- **POMV Endowment plan adopted by the House with a Community Dividend.** A state fiscal plan would be the most important state action taken in a decade. In addition, a Community Dividend would create a new relationship with local government to strengthen and expand the role and responsibility of local people and local governments.
- **Adopt House Bill 461** which gives municipalities a tool to adopt or raise a local telephone user fee to pay for e-911 and emergency dispatch. We also urge you to support a statewide bond issue for roads to improve community transportation systems.

Sincerely,

  
Jim Cooper, President

cc. Municipalities  
Alaska Legislature

## Revenue Sharing Impact Facts

- Per State DCED, the following 34 cities, relied on revenue sharing for 25% to 94% of all operating revenues with average total municipal operating budgets of \$112,000 per city. Manokotak, Bettles, Atkasuk, White Mountain, Kupreanof, Port Heiden, Napakiak, Napaskiak, Chefornak, Ekwok, Kasaan, Chuathbaluk, Selawik, Newhalen, Kivalina, Tenakee Springs, Teller, Anderson, Aniak, Koyukuk, Grayling, Buckland, Hughes, Point Hope, Fort Yukon, Eagle, Akhiok, Holy Cross, Allakaket, Upper Kalskag, Quinhagak, Noorvik, Anaktuvuk Pass, Huslia.
- 40-45 municipalities rely on their revenue sharing to buy fuel in bulk before barge transportation ceases for the winter, (According to Yukon Fuel). If a community cannot afford to purchase its winter fuel early, it costs \$1 to \$2 more per barrel to have it flown in. Communities are already facing over 25% higher fuel prices due to the high price of oil. Yukon Fuel directly serves: Akiak, Anvik, Chevak, Chuathbaluk, Eek, Ekwok, Grayling, Holy Cross, Kaltag, Kotlik, Koyuk, Koyukuk, Mekoryuk, New Stuyahok, Shageluk, Shaktoolik, Shishmaref, Stebbins, Toksook Bay, Wales.
- Loss of municipal insurance is a sign of a community in distress. (From the AML Joint Insurance Association -Kevin Smith, Executive Director):
  - This fiscal year, 71 of 140 municipal members are on payment contracts. (While several years ago payment contracts were unusual.)
  - Last year, 31 municipalities nearly had to be canceled for failure to pay their workers' compensation and liability contributions prior to the Governor's allocation of \$40,000 of federal funds for each community. Still, 9 municipalities lost their insurance or are pending cancellation.
- Without revenue sharing the following municipalities reported that they do not have "the financial resources necessary to provide minimum public services/continue as a city or borough." (3/04 Municipal Fiscal Conditions survey): Anaktuvuk Pass, Cordova, Deering, Elim, Gambell, Golovin, Hoonah, Hughes, Huslia, Larsen Bay, Little Diomedea, Mountain Village, McGrain, Napakiak, Nenana, Nondalton, Noorvik, Old Harbor, Ouzinkie, Savoonga, Selawik, St. Mary's, Togiak, White Mountain. About half of Alaska's municipalities responded so it is likely that the actual number of communities in distress are at least double the municipalities listed here.
- Loss of Public Safety and Maintenance: Per AML (Municipal Fiscal Survey, 10/03), many small municipalities have already been forced to eliminate or severely reduce basic services like public safety and road maintenance. Public safety cuts and/or road maintenance anticipated as of September-October 2003: Akiak (public safety), Atka (maintenance), Bettles (fire & maintenance), Buckland (maintenance); Chuathbaluk (maintenance), Chevak (public safety), Dillingham (maintenance); Egegik (maintenance), Elim (maintenance & public safety), Fort Yukon (maintenance), Golovin (maintenance & public safety), Hooper Bay (public safety), Huslia (maintenance), Kalskag (public safety), Kiana (public safety), Koyukuk (maintenance), Koyuk (maintenance), Manokotak (public safety & maintenance), Napakiak (public safety), Nenana (maintenance), North Pole (public safety), Northwest Arctic Borough for 5 cities (public safety and maintenance), Nuiqsut (maintenance), Ouzinkie (public safety), Pelican (public safety & maintenance), Savoonga (public safety), Selawick (public safety), Sand Point (maintenance), Tanana (public safety), Upper Kalskag (maintenance), Wrangel (public safety), White Mountain (maintenance), City and Borough Yakutat (public safety). Additionally, many more municipalities have already cut public safety, or never had it.

## Public Employees' Retirement System (PERS) Municipalities & Hospitals Only

### ESTIMATED FY 05 Change in Employer Contribution

\* From Division of Retirement and Benefits

\*\* Based on "2003 Alaska Taxable" DCED

<<<PERS>>> 5.0% (D)

\*\*FY 05  
Local  
Prop Tax  
Mill Rate  
Needed  
for PERS  
Increase!

Fund	Employer			* FY 05	**Value of	
		FY 05	FY 05	PERS	1 "Mill" of	
		Estimated	Rate	Increase	Property	
		Municipal	Incr	Dollars	Tax	for PERS
		Payroll				Increase!
PERS	PETERSBURG, CITY& MEDICAL CTR.	\$6,702,627	5.0%	\$335,131	\$191,012	1.75
PERS	CORDOVA, CITY & MEDICAL CENTER	\$4,427,981	5.0%	\$221,400	\$111,769	1.98
PERS	SAXMAN, CITY OF	\$415,247	5.0%	\$20,762	\$12,100	1.72
PERS	UNALASKA, CITY OF	\$9,508,993	5.0%	\$475,450	\$342,385	1.39
PERS	NENANA, CITY OF	\$373,857	5.0%	\$18,693	\$14,705	1.27
PERS	CRAIG, CITY OF	\$1,821,035	5.0%	\$91,052	\$72,297	1.26
PERS	SITKA, CITY/BOROUGH, & HOSPITAL	\$11,507,548	5.0%	\$792,470	\$639,629	1.24
PERS	WRANGELL, CITY OF	\$2,426,833	5.0%	\$121,342	\$100,285	1.21
PERS	WHITTIER, CITY OF	\$944,422	5.0%	\$47,221	\$39,389	1.20
PERS	NOME, CITY & UTILITIES	\$2,496,407	5.0%	\$173,791	\$173,516	1.00
PERS	SEWARD, CITY OF	\$3,720,505	5.0%	\$186,025	\$200,255	0.93
PERS	DILLINGHAM, CITY OF	\$2,355,455	5.0%	\$117,773	\$130,552	0.90
PERS	JUNEAU, CITY AND BOROUGH OF	\$43,232,840	5.0%	\$2,161,642	\$2,640,000	0.82
PERS	KETCHIKAN, CITY OF	\$8,020,487	5.0%	\$401,024	\$547,376	0.73
PERS	PELICAN, CITY OF	\$126,474	5.0%	\$6,324	\$8,632	0.73
PERS	KENAI, CITY OF	\$5,369,573	5.0%	\$268,479	\$366,726	0.73
PERS	KODIAK, CITY OF	\$5,663,400	5.0%	\$283,170	\$388,182	0.73
PERS	HOMER, CITY OF	\$4,738,657	5.0%	\$236,933	\$332,626	0.71
PERS	PALMER, CITY OF	\$2,563,992	5.0%	\$128,200	\$189,946	0.67
PERS	HAINES BOROUGH	\$2,037,530	5.0%	\$101,877	\$175,187	0.58
PERS	BRISTOL BAY BOROUGH	\$1,368,016	5.0%	\$68,401	\$141,500	0.48
PERS	SOLDOTNA, CITY OF	\$2,689,459	5.0%	\$134,473	\$298,700	0.45
PEPS	NORTH POLE, CITY OF	\$2,073,587	5.0%	\$103,679	\$259,625	0.40
PERS	WASILLA, CITY OF	\$3,347,381	5.0%	\$167,369	\$437,138	0.38
PERS	SKAGWAY, CITY OF	\$1,398,477	5.0%	\$69,924	\$205,046	0.34
PERS	ANCHORAGE, MUNICIPALITY OF	\$127,572,934	5.0%	\$6,378,647	\$19,126,104	0.33
PERS	SELDOVIA, CITY OF	\$96,359	5.0%	\$4,818	\$19,007	0.25
PERS	VALDEZ, CITY OF	\$4,929,091	5.0%	\$246,455	\$1,049,202	0.23
PERS	FAIRBANKS, CITY OF	\$5,896,416	5.0%	\$294,821	\$1,321,750	0.22
PERS	NORTH SLOPE BOROUGH	\$47,405,369	5.0%	\$2,370,268	\$10,147,96	0.22
PERS	KETCHIKAN GATEWAY BOROUGH	\$3,978,212	5.0%	\$198,911	\$935,122	0.21
PERS	FAIRBANKS NORTH STAR BOROUGH	\$16,735,548	5.0%	\$836,777	\$4,452,200	0.19
PERS	SAXMAN SEAPORT	\$38,479	5.0%	\$1,924	\$12,100	0.16
PERS	KODIAK ISLAND BOROUGH	\$2,191,832	5.0%	\$109,592	\$770,982	0.14
PERS	KENAI PENINSULA BOROUGH	\$12,062,817	5.0%	\$603,141	\$4,277,332	0.14
PERS	MATANUSKA-SUSITNA BOROUGH	\$9,566,280	5.0%	\$478,314	\$3,612,276	0.13
PERS	KACHEMAK, CITY OF	\$59,167	5.0%	\$2,958	\$28,614	0.10
PERS	ALLAKAKET, CITY OF	\$49,434	5.0%	\$2,472	none	
PERS	BARROW, CITY OF	\$1,036,873	5.0%	\$51,844	none	

Fund	Employer	FY 05 Estimated Municipal Payroll	FY 05 Rate Incr	* FY 05 PERS Increase Dollars	** Value of 1 "Mill" Property Tax	**Local Prop Tax Mill Rate Needed for PERS Increase1
PERS	DELTA JUNCTION, CITY OF	\$65,919	5.0%	\$3,296	none	
PERS	HUSLIA, CITY OF	\$92,276	5.0%	\$4,614	none	
PERS	KALTAG, CITY OF	\$28,529	5.0%	\$1,426	none	
PERS	NORTHWEST ARCTIC BOROUGH	\$700,747	5.0%	\$35,037	none	
PERS	RUBY, CITY OF	\$118,657	5.0%	\$5,933	none	
PERS	SAINT GEORGE, CITY OF	\$366,136	5.0%	\$18,307	none	
PERS	AKUTAN, CITY OF	\$287,937	5.0%	\$14,397	sales tax only	
PERS	ALEUTIANS EAST BOROUGH	\$974,507	5.0%	\$48,725	sales tax only	
PERS	ANDERSON, CITY OF	\$38,730	5.0%	\$1,936	sales tax only	
PERS	ANGOON, CITY OF	\$307,662	5.0%	\$15,383	sales tax only	
PERS	ATKA, CITY OF	\$71,502	5.0%	\$3,575	sales tax only	
PERS	BETHEL, CITY OF	\$4,537,734	5.0%	\$226,887	sales tax only	
PERS	DENALI BOROUGH	\$568,543	5.0%	\$28,427	sales tax only	
PERS	EGEGIK, CITY OF	\$97,862	5.0%	\$4,893	sales tax only	
PERS	ELIM, CITY OF	\$175,041	5.0%	\$8,752	sales tax only	
PERS	FORT YUKON, CITY OF	\$295,768	5.0%	\$14,788	sales tax only	
PERS	GALENA, CITY OF	\$1,320,610	5.0%	\$66,031	sales tax only	
PERS	HOONAH, CITY OF	\$638,162	5.0%	\$31,908	sales tax only	
PERS	HOOPER BAY, CITY OF	\$592,669	5.0%	\$29,633	sales tax only	
PERS	KAKE, CITY OF	\$291,898	5.0%	\$14,595	sales tax only	
PERS	KING COVE, CITY OF	\$1,035,132	5.0%	\$51,757	sales tax only	
PERS	KLAWOCK, CITY OF	\$820,343	5.0%	\$41,017	sales tax only	
PERS	KOTZEBUE, CITY OF	\$3,138,622	5.0%	\$156,931	sales tax only	
PERS	KOYUK, CITY OF	\$21,463	5.0%	\$1,073	sales tax only	
PERS	LAKE AND PENINSULA BOROUGH	\$632,700	5.0%	\$31,635	sales tax only	
PERS	NOORVIK, CITY OF	\$351,910	5.0%	\$17,595	sales tax only	
PERS	QUINHAGAK, CITY OF	\$29,932	5.0%	\$1,497	sales tax only	
PERS	SAINT MARY'S, CITY OF	\$306,495	5.0%	\$15,325	sales tax only	
PERS	SAINT PAUL, CITY OF	\$1,366,801	5.0%	\$68,340	sales tax only	
PERS	SAND POINT, CITY OF	\$758,056	5.0%	\$37,903	sales tax only	
PERS	SELAWICK, CITY OF	\$77,442	5.0%	\$3,872	sales tax only	
PERS	TANANA, CITY OF	\$217,611	5.0%	\$10,881	sales tax only	
PERS	THORNE BAY, CITY OF	\$279,855	5.0%	\$13,993	sales tax only	
PERS	TOKSOOK BAY, CITY OF	\$16,994	5.0%	\$850	sales tax only	
PERS	UNALAKLEET, CITY OF	\$264,140	5.0%	\$13,207	sales tax only	
PERS	YAKUTAT, CITY AND BOROUGH OF	\$439,129	5.0%	\$21,956	sales tax only	
PERS	ANCHORAGE PARKING AUTHORITY	\$1,020,063	5.0%	\$51,003	see Anch	
TOTAL				\$19,430,923		

STATE BOARD OF

EDUCATION  
& EARLY DEVELOPMENT

**Resolution  
of the  
State Board of Education & Early Development**

*Requesting the Legislature to Adopt a Long-Term Fiscal  
Plan*

Resolution 01-2004

WHEREAS, the Alaska Legislature has committed itself to developing a quality state education system that holds the state schools accountable for results; and

WHEREAS, the public schools are attempting to meet higher expectations so that all students meet essential skills in reading, writing, mathematics and science by 2013; and

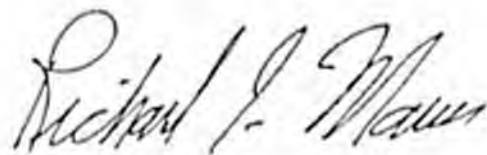
WHEREAS, public schools through no fault of their own are faced with burgeoning costs to the teacher and public employee retirement systems; and

WHEREAS, the Legislature has further demonstrated its commitment to education by increasing the public school foundation program by \$82 million for Fiscal Year 2005; and

WHEREAS, Governor Murkowski has called the Legislature into special session to address Alaska's long term fiscal problems aimed at assuring adequate funding of basic state services, such as education; and

WHEREAS, the Legislature will not be able meet its commitments to a quality system of public schools available to every child in Alaska without a long-term, stable source of state revenues; so

THEREFORE, the State Board of Education & Early Development requests the Alaska Legislature to adopt a long-term fiscal plan aimed at protecting essential state services, including education.



Chair, State Board of Education & Early Development

June 11, 2004

ALASKA COUNCIL



OF SCHOOL ADMINISTRATORS

326 Fourth Street, Suite 404 • Juneau, Alaska 99801  
Phone: (907) 586-9702 • Fax: 586-5879  
web site: www.alaskaacsa.org

## Alaska Council of School Administrators

June 17, 2004

State Senate  
House of Representatives  
State Capitol Building  
Juneau, AK 99801-1182

RECEIVED  
JUN 17 2004  
Alaska Department of Education  
& Early Development

Dear Senators and Representatives:

As you recall, last October and again in March, ACSA signed a letter to encourage you to act on a fiscal plan this year. Despite recent high oil price projections, massive projected fiscal problems next year and beyond underscore the need for action this year.

Our organization is firmly supportive of the implementation of a 5% Percent of Market Value management of the Permanent Fund, and the use of Fund earnings to provide PFDs and a balanced state budget with adequate levels of public services.

Please take action to implement a fiscal plan during the special legislative session next week.

Respectfully,

Mary A. Francis, Ph.D.  
Executive Director

MF:klc

cc: ACSA Board of Directors  
bcc: Commissioner Roger Sampson

# GREATER \* FAIRBANKS CHAMBER OF COMMERCE

800 Cushman St., Suite 114, Fairbanks, AK 99701  
phone: (907) 452-1105, fax: (907) 456-6968

e-mail: [staff@fairbankschamber.org](mailto:staff@fairbankschamber.org)  
website: [www.fairbankschamber.org](http://www.fairbankschamber.org)

April 20, 2004

Governor Frank Murkowski  
Alaska State Capitol  
FAX: (907) 465-3532

Dear Governor Murkowski,

The Greater Fairbanks Chamber of Commerce recognizes and applauds the efforts of the Governor and the Legislature to work towards a balanced state budget, while minimizing further withdrawals from the Constitutional Budget Reserve.

To that end, we have reviewed the discussion advanced by HJR47 and by Sen. Gene Theriault in his presentation to the Senate Finance Committee on March 19.

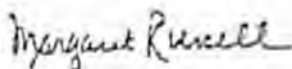
The GFCC has been in strong support of the POMV methodology as an investment discipline. We recognize that the POMV system would insulate the Fund's annual distribution from market and political volatility, ensure inflation proofing and provide a relatively uniform and predictable annual distribution. Therefore, it is included in the top 5 of our 2004 Legislative priorities.

Additionally, we have encouraged the Legislature to consider use of the Permanent Funds earnings reserves to help support state services, while inflation proofing the principal of the fund (rather than the market value), and continuing to pay a reasonable annual dividend. Although POMV is ultimately the key to a long term, stable annual distribution, the Legislature currently has the authority to, and should, use Permanent Fund earnings reserves under the current system as necessary.

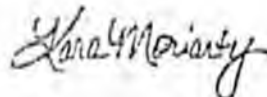
If further state revenues were needed after continued budget discipline and some use of the Permanent Fund's earnings reserves, the Legislature, only then, should consider implementation of a broad based, statewide tax.

With these positions in mind, we would urge the Legislature to reach a consensus on current and future use of the Permanent Fund earnings reserves, including POMV by the end of session. If a POMV measure is adopted this Legislative session, we are committed in using all of our resources to gain voter approval in November.

Sincerely,



Margaret Russell  
Board Chair



Kara Moriarty  
President/CEO

## Benefactors

ACS Media, LLC  
Alaska Acrylic  
Alaska Airlines  
Alaska Communications Systems  
Alaska Railroad  
Alaska USA Federal Credit Union  
Alvesta Engine Service Company  
ARST Alaska  
BP Exploration, Inc.  
CellularOne  
ConocoPhillip Alaska, Inc.  
Denali State Bank  
Design Alaska  
Exxon Mobil  
Fairbanks Buildings Construction Trade Council/The Unions  
Fairbanks Gold Mining Inc.  
Fairbanks Memorial Hospital  
Fairbanks Natural Gas, LLC  
First National Bank Alaska  
Flowline Alaska  
GGC  
Golden Heart Callies  
Golden Valley Electric Association  
Key Bank of Alaska  
MAC Federal Credit Union  
Mt. McKinley Bank  
Northern Bank  
Phone Directory Company  
Safeway  
Sawwa Gold Service  
Santina Flowers & Gifts  
Sevens Ferry, Inc. / Mercury  
Tanana Valley Clinic  
Third Security Technologies, Inc.  
Toll Free Overnight Express  
University of Alaska - Fairbanks  
Urbell Coal Mine  
Wellness  
Wendy's  
Westmark Fairbanks Hotel & Conference Center  
Williams Alaska Petroleum



*everychild.one voice.*

## Immediate Enactment of a Long Term Fiscal Plan for Alaska

**Whereas:** Alaska state government currently spends more money than it receives as revenue each year; and

**Whereas:** The Constitutional Budget Reserve is being depleted and will soon be unavailable to continue to make up the difference between spending and revenue, and

**Whereas:** This fiscal gap threatens the stability of current and future educational funding; and

**Whereas:** The fiscal gap also threatens the state's ability to fund other programs and services essential to the wellbeing of Alaska's children; and

**Whereas:** The longer a solution to the fiscal gap is delayed the harder it will be to solve the problem; therefore be it

**Resolved:** That the Alaska PTA supports the enactment of a long term fiscal plan for Alaska during this legislative session.

# The TRUST

The Alaska Mental Health Trust Authority

April 16, 2004

RECEIVED

APR 21 2004

Governor Frank Murkowski  
Office of the Governor  
P.O. Box 110001  
Juneau AK 99811

GOVERNOR'S OFFICE

Dear Governor Murkowski :

As health and human service funders, we are writing to urge you to maintain essential state funding for health and human service programs and to develop a comprehensive, long-range fiscal plan for Alaska.

Providing health and human services to Alaskans in need is shared among government, the nonprofit sector, and private support. Each plays a critical and interconnected role. In particular, there has been a long and productive relationship between the state and nonprofit service providers. The state relies on nonprofits to provide services at less cost than government could do. Nonprofits rely upon the state for a core level of funding to keep the infrastructure viable. Nonprofits then leverage additional funds through other public and private donations that further reduce costs the state.

The system has been working well in Alaska. In fact, according to a November 2003 report prepared by the Nelson A. Rockefeller Institute of Government, Alaska is one of only four states that saw a decreased reliance upon government funding among health and human service nonprofit agencies. All other states reported that nonprofits needed more government funding over the study's 10-year review period. Alaska also had the most significant decrease in government funding of those four states that were relying less on government funds.

The Department of Health and Social Services proposed FY04 and FY05 funding cuts, and its plans for Medicaid refinancing undermine the stability of a system that serves our most vulnerable population. We understand that Medicaid is a serious financial drain and that creative refinancing approaches are important. However, it is shortsighted to drain other service programs to offset Medicaid costs. Increased reliance on Medicaid has led to immediate savings in state funds, but with looming federal deficits, it also increases the likelihood that those funds will not be available in the future. We urge you to move with caution in taking funding actions that are too optimistic about the level and pace of refinancing that can occur. Putting all of our eggs in that one basket is precipitously dangerous and jeopardizes the stability of the health and human services infrastructure.

We appreciate that providing services requires money. We understand that the issues around creating a long-range fiscal plan are contentious and politically charged. Yet, the risks to Alaskans increase every year that we do not get our state finances in order.

In order to address Alaska's fiscal situation, we support an honest and full public debate over the proposed budget and its impacts, ongoing budget discipline, and the need for new revenues.



In order to have a vibrant future, we must all work together to ensure a capable and ready workforce, healthy citizens, and opportunities for our children. As you deliberate about a long-range fiscal plan and the level of health and human services you will provide, we ask you to carefully consider the consequences of budget cuts to programs that serve those less fortunate.

We must protect the health and welfare of Alaskans in need while creating a stable fiscal environment for everyone. You have the opportunity to create long-term stability for Alaskans, and a health and human services delivery system that improves the productivity of our citizens. We stand ready to work with you as you take the steps necessary to make this a reality.

Sincerely,

Alaska Mental Health Trust Authority  
United Way of Anchorage  
United Way of Matanuska-Susitna  
United Way of Valdez

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



7595  
OMB  
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HB  
DD  
cc KR

March 28, 2004

RECEIVED

APR - 5 2004

Honorable Governor Frank Murkowski  
State of Alaska  
PO Box 110001  
Juneau, AK 99811-0001

GOVERNOR'S OFFICE

Dear Governor Murkowski:

In February 2004, the ATIA board of directors met in Juneau to discuss long-term funding and our proposed legislation. We also met with our state legislators at our annual industry fly-in to obtain support for the assessment from our elected leaders.

During the board meeting significant discussion took place to identify a context for supporting the assessment that addresses other significant concerns for your administration and all Alaskans. To that end, the ATIA board approved a motion to support:

- (1) The Administration and Legislature's efforts to identify and implement a long-term fiscal plan for the state with continued focus on budget discipline; and
- (2) The appropriation of a portion of the earnings from the Permanent Fund to help support state services. Furthermore, we strongly support the creation of a "percent of market value" structure for the Permanent Fund. Using some of the Permanent Fund earnings for state government should not preclude the Alaska Permanent Fund Dividend program from continuing and growing.

ATIA, as the official statewide tourism-marketing arm for Alaska, carries a continuing obligation to its membership to promote their businesses and the industry. The assessment is the most likely means to fulfilling that mandate by making our state's tourism marketing efforts competitive with other major destinations.

The revenue generated from the assessment is significant for marketing purposes but falls short of closing the fiscal gap. It is our belief that implementing the POMV structure to the Permanent Fund, combined with sound budget discipline, will provide both you and the legislature with a meaningful way to address our state's current budget situation.

Sincerely,

Ron Peck  
President & COO

RP:jf

# Alaska State Hospital & Nursing Home Association

*We're helping people care for people!*

cc: Kuis

7765  
OTWUB  
LO

April 15, 2004

Honorable Frank Murkowski  
Governor, State of Alaska  
Office of the Governor  
P.O. Box 110001  
Juneau, Alaska 99811

RECEIVED

APR 16 2004

GOVERNOR'S OFFICE

Dear Governor Murkowski:

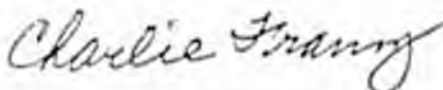
The Alaska State Hospital and Nursing Home Association membership wishes to go on record supporting your call for the Alaska Legislature to find a workable solution to the fiscal imbalance confronting the State. We stand ready to assist you and the Legislature in crafting a revenue solution that will serve Alaska well in the years ahead, and that will insure a quality of life that all Alaskans can agree is important to preserve for future generations.

Alaskans have shown a strong commitment to provide safety net programs that help low income families. Alaskans have also shown a long standing commitment to providing world class education to our children so they may compete more effectively in a global economy, and to provide a workforce that will attract employers to our State. Alaskans have supported state policies that ensure rural Alaskans have access to quality health care in hospitals and nursing homes close to home and family.

All of these programs directly impact quality of life, overall economic viability, and employment opportunities in our communities. We believe as an Association that the State cannot continue to ignore the revenue realities facing it. The recent Conference of Alaskans identified various solutions for addressing this problem. Conference participants and other Alaskans have advanced many good ideas for balancing the budget including use of permanent fund earnings, tobacco tax increases, and a host of other measures. We believe that some combination of these can be agreed upon by all to close the revenue gap that the State is now facing.

Unless bold and timely action is taken by the Legislature to work with your office to address this issue, we can only expect to see more erosion of critical state services and programs in the years ahead. The need for strong leadership is more critical than ever to chart the economic future of Alaska and we look forward to helping you and the Alaska Legislature accomplish that.

Sincerely,



Charlie Franz, Chairman  
Board of Directors

426 Main Street, Juneau, Alaska 99801

Phone: 907 586 1700 • Fax: 907 583 3573 • Web: [www.ashna.com](http://www.ashna.com)



# CITY of WRANGELL, ALASKA

INCORPORATED JUNE 15, 1903

BOX 531, 99929 (907) 874-2381  
FAX: (907) 874-3952

June 18, 2004

Fax Received  
JUN 18 2004  
Office of the Governor

The Honorable Frank Murkowski  
Office of the Governor  
PO Box 11001  
Fax 907-465-3532  
Juneau, AK 99811-0001

Dear Governor Murkowski:

I am writing in support of the POMV and a Community Dividend.

I endorse the proposed 50:45:05 split, or hopefully a somewhat higher percentage being designated to municipal support.

It is my sincere hope that the upcoming Legislative Special Session will be very positive, and that our legislators approach the issues with the best interests of the state in their hearts and minds.

I want to personally thank you for your exemplary leadership in attempting to solve our state's financial crises.

Sincerely,

Robert S. Prunella  
City Manager



FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

STR102  
P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

June 21, 2004

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a resolution proposing amendments to the Alaska Constitution relating to and limiting appropriations from the Alaska Permanent Fund based on an averaged percent of the fund's market value. Passage of this resolution by the Legislature gives Alaskans a voice on the issue of a long-term fiscal plan. Voters would have the ability to approve the resolution and bring certainty to Alaska's fiscal future for themselves and future generations of Alaskans.

The resolution outlines a long-term fiscal plan that 1) changes the structure of the Alaska Permanent Fund to an endowment model; 2) limits the annual payout from the Alaska Permanent Fund to five percent of the fund's value; 3) allocates the annual payout of 50 percent to dividends, 45 percent to public education, including K-12 and the University, and five percent to communities. Individual dividends would be guaranteed to be at least \$1,000 or 50 percent of the annual payout, whichever is higher. I believe that these allocations reflect the priorities of a majority of the public for the use of the Alaska Permanent Fund.

The resolution is based on provisions of CS House Joint Resolution 26(FIN), which passed the House during the second session of this Legislature. Under the provisions of this resolution, the Alaska Permanent Fund is converted to the Percent of Market Value or "POMV" endowment model. An annual payout of five percent of the value of the fund is set.

COMMITTEE COPY

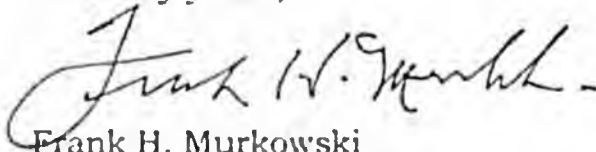
The Honorable Gene Therriault  
June 21, 2004  
Page 2

POMV is an accepted method for managing funds. Anchorage, Fairbanks, the North Slope Borough, and Sitka residents have voted to use the POMV model for their municipal trust accounts. Private foundations like the Ford Foundation and about 83 percent of colleges use some form of a POMV payout method.

These allocation provisions have a ten-year "sunset" to allow the Legislature and the voters an opportunity to revisit them to ensure that the allocations continue to meet state needs.

I urge your prompt and favorable action on this legislation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure

SENATE FINANCE COMMITTEE

SIGN-IN

SJR102-CONST. AM: PERM FUND P.O.M.V.; DIVIDENDS

NAME: Kevin Ritchie / Mayor Tim Bourke Subject/Bill No: SJR102

Co./Dept./Title: City Municipal League Phone: 5861323

Address: 217 2nd St suite 200 Zip: 99801

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions